

The Ukraine War and Economic Recession[^]

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The illegal and unprovoked invasion of Ukraine was initiated on 24th February 2022 by its much larger neighbour the Russian Federation after repeated Russian denials that it was being planned. The aggression against an independent sovereign state and member of the United Nations (UN) has been brutal in its conduct and the treatment and looting of people in occupied areas. Its human consequences have been tragic for the many millions directly affected by the widespread and systematic destruction of homes and civilian infrastructure (Harding, 2023). Millions of Ukrainians are also now living as refugees in other countries, while people around the world are affected by its adverse economic impacts.

The initial objectives of the unjustified invasion and its expected timescale were overly ambitious in relation to the equipment, logistics, personnel and leadership of the invading force and the local and international reaction it triggered (Owen, 2022). The stout and heroic resistance of Ukrainians and their President Volodymyr Zelensky in defence of their freedom and independence echoes the historic resilience of Ukrainian language, culture and identity in the face of adversity. It contradicts Russian President Vladimir Putin's view that Ukrainians and Russians are one people (Ploky, 2016; Putin, 2021). Their robust defiance and fight against blatant aggression in contravention of the UN charter has galvanised external support.

Countries across Europe and some further afield have responded by taking in Ukrainian refugees. Democracies around the world have applied successive tranches of sanctions against certain Russian entities and individuals. They also provided humanitarian assistance, economic support and shorter ranged weapons to help Ukrainians to defend their country. Although during 2022 Ukraine was denied heavy and longer ranged weapons it was seeking, what was provided enabled the country to recover some of the territory that had been seized by Russian troops. The horrors of its occupation have since been investigated as war crimes.

Drivers and Consequences

Ukrainians are again suffering and dying as a result of deliberate Russian policy (Ploky, 2016; Applebaum, 2018). Since Vladimir Putin became prime minister and then president of the Russian Federation, events from the First Chechen War through two military incursions into Georgia, to the annexation of Crimea and attempt to occupy Kyiv and efforts to destroy Ukrainian identity and remove children from occupied areas for re-education suggest a pattern of behaviour (Galeotti, 2022). Brutal military tactics employed by Russian forces in Chechnya and Syria have been used in Ukraine to devastate villages, towns and cities, reducing them to rubble and destroy the infrastructure upon which continuing existence depends.

Putin's apparent desire to re-militarise the Russian Federation, eliminate internal opposition, mount external information and cyber-attacks, and re-create the former Soviet Union is particularly alarming to countries previously occupied by Russia such as Poland and its Baltic neighbours. The invasion of Ukraine caused Finland and Sweden to abandon their policy of neutrality and apply to join the NATO defensive alliance. It has also raised strategic questions

about the ability of democratic Governments facing periodic elections and focused on short-term issues to confront an autocratic leader who seems determined to ignore ethical and legal considerations. Attempts to deceive and distract and false claims abound (Sherwood, 2022). In autocracies, controlled messages can invent external threats to secure internal support.

The United Nations international institutional system and framework has not been short of criticism (Muravchik, 2006). The invasion of Ukraine has highlighted its limitations when an aggressor state acting in contravention of the UN charter is a permanent member of the Security Council with nuclear weapons and able to exercise a veto. While one might question the process by which the Russian Federation now occupies the permanent member seat originally created for the Soviet Union after the Second World War, Russia can exercise the veto to prevent any attempt to remove it or act against what it perceives as its interests.

Contending Motivations and Winners and Losers

After Russia's earlier illegal invasion of Crimea and the seizure of part of the Donbas region of Ukraine in 2014, one conclusion drawn was that 'everyone loses' as a consequence of such actions (Charap and Colton, 2016). The subsequent multi-pronged 2022 Russian invasion of Ukraine has raised the question of whether there are any winners beyond opportunists and those seeking to undermine the international order or just losers. Its affects reach most parts of the globe. It has created food and energy crises in multiple locations, disrupted trade relationships, fuelled inflation and cost of living increases, lowered expected growth rates, triggered recessions and compounded the economic damage, fragility and disruption caused by the recent Covid-19 pandemic.

Gas that escaped from a sabotaged strategic Nord Stream pipeline will have contributed to global warming, while significant environmental damage is occurring in areas of active conflict. Rearmament programmes around the world increase pressure on natural capital and divert attention, capabilities and resources from other priorities such as climate adaptation and mitigation. The fracturing of the world into democracies and authoritarian regimes, their client and dependent states and authoritarian regimes hostile to their interests occurs at a critical time when collaboration and collective responses are needed to address an existential threat such as climate change before tipping points are reached after which global warming becomes unstoppable (IPCC, 2022, UNEP, 2022).

President Zelensky, a Russian speaking and Jewish Ukrainian seems to embody the spirit of his country (Onuch and Hale, 2022). His leadership, the absence of territorial claims, the defensive nature of his country's armed forces, and the defensive purpose of NATO whose member countries provide it with support does not suggest Ukraine represents a threat to Russia or needs to be demilitarised and denazified as President Putin has suggested. While Ukrainian endurance is celebrated Russia has suffered severe reputational damage, falling in a 2022 index of sixty nation brands from 27th position in 2021 to 58th place, which has future consequences for its relationships and its citizens and economy (Anholt and Ipsos, 2022).

Globalisation: Opportunity and Challenges

Prior to the Covid-19 pandemic and invasion of Ukraine greater connectivity, outsourcing and relocation of activities according to comparative advantage resulted in extended supply chains. In what was perceived as a 'borderless world', and with pressures for further economies and increasing use of practices such as 'lean' and 'just in time', many people assumed barriers to transactions would be manageable and that relatively smooth flows of shipping through certain 'choke points' and the passage of containers through major ports would continue to occur (Ohmae, 1990). Although aware of the cyber and contagion risks of increased connectivity and people flows, many people underestimated the virulence of both the global pandemic and Russia's aggression against its neighbour Ukraine.

Consequences of globalisation, compounded by the UN Security Council's inability to act against a member with a veto, have increased the vulnerability in multiple areas of people, organisations, communities and countries around the world to major disruptions such as a pandemic, war or unexpected blockage to physical or data flows. Sanctions and restrictions designed to impede ongoing aggression interrupt certain flows, while differing reactions to a major war in Europe have opened fresh fault lines. New support and investigatory networks have also emerged. However, underlying realities remain. Know-how, resources, people and their skills are located in different and often inconvenient places, while collaboration and specialisation is required to cope with shared challenges and address existential threats.

Inter-dependence brings both opportunities and challenges (Ohmae, 2005). New models of business and organisation and ways of working and learning and their enabling technologies are increasing the flow of data, opportunities and services across borders. Boards should identify critical dependences, and consider whether, when, where and how to address them. How might contending pressures for and against globalisation be reconciled? Is greater self-sufficiency illusory and wasteful in the light of differing relative strengths and comparative advantages? Alternatively, is it necessary to transition to simpler, lower carbon and less scarce resource intensive and environmentally damaging operations and lifestyles, and more sustainable and inclusive communities, cities and societies (Coulson-Thomas, 2022)?

Vulnerability and Recession

Other things being equal, freer trade to take advantage of specialisation, progress along learning curves, how and where innovation occurs and differing comparative advantage has the potential to be beneficial. Economic sanctions that create barriers to freer trade can harm those who introduce and/or support them and third parties opting not to become involved, as well as impacting those at whom or at what they are directed. Experience of their use, including in conflicts, suggests unintended consequences can and do occur (Mulder, 2022). Like other public policy measures directed at certain targets, sanctions, restrictions and penalties can give rise to negative externalities and collateral damage.

Globalisation and practices such as just in time manufacturing have increased vulnerability to events such as the Covid-19 pandemic and the invasion of Ukraine. There are consequences for community and country resilience and economic and social stability as well as disruption to supply chains and the international economic system (WEF, 2023). Are different and better

economic models required (Mishra and Spilimbergo, 2022)? The invasion of Ukraine and its consequences for the cost of energy and some food stuffs has stoked inflationary pressures that had already been triggered by recovery from the initial waves of the Covid-19 pandemic.

An economic downturn towards recession at a time of rising prices raised the spectre of stagflation, triggering debates about what the focus and priority should be in public policy responses (Ha et al, 2022). Reactions such as raising interest rates can squeeze household and other budgets. When Russia's conduct in Ukraine is no longer headline news, will electors in democracies continue to support the cost of financial, humanitarian and military assistance to a victim of aggression? Might war fatigue set in or could further incidents of barbarity and/or heroism rekindle support? Is a totalitarian state better able to endure a long campaign when its population is less able to understand the realities of what is happening on the ground and disagreement and dissent are penalised? Alternatively, do certain events in Russia, China, Iran and Ukraine suggest that key weaknesses remain at the heart of authoritarian states that endeavour to appear strong in relation to liberal democracies (Fukuyama, 2022a & b),

Political, Military and Economic Issues to Consider

The invasion of Ukraine raises multiple political, military and economic issues. In the political arena, an issue already raised is whether in comparison with totalitarian rulers, democratic governments may be particularly liable and susceptible to pressure from electorates or opposition parties to change direction in the event of either inflationary pressure or recession. Support on principle for a victim of aggression may waver as its costs mount during a protracted conflict and when a combination of recession and inflation leads to calls for priority to switch to helping a domestic population. The reactions of some countries to the invasion of Ukraine have echoed their responses to global warming, when what scientific evidence suggests is necessary is considered politically inconvenient.

In the military arena many equipment, logistics and operational deficiencies and vulnerabilities have emerged, including the rapid running down of pre-war stocks and underinvestment in relatively cheap but useful and destructive drones. Our understanding of some aspects of asymmetric warfare may also need to be reviewed (Thornton, 2007). For example, how might a victim of aggression and those who support it best deal with long range attacks launched from the comparative safety of an aggressor's own territory? From a military perspective, in an era of portable and potent anti-tank weapons, should how tanks are deployed and used be reconsidered? Does the war in Ukraine suggest that peaceful resistance to aggression might be less effective against a brutal aggressor able to control messages received by its population via television and other media (Roberts, 1967; Ghandi, 2012)?

While there are political, military and many other issues to discuss the focus of this article will be on economic consequences, and in particular the prospect of recession and whether there could be positive outcomes depending upon how people, organisations and wider communities respond. Previous experience of global economic recession has revealed the interdependence that globalisation has created. It suggests that India is now integrated to such an extent that it cannot be unaffected by international developments and that a recession has

implications for India (Asokkumar, 2010; Agrawal, 2011). While it may be too early to fully assess the economic consequences of Russia's invasion of Ukraine, are there responses that could be beneficial? Might it lead to welcome innovation or changes of behaviour and focus?

Socio- Economic Opportunities

Economic recession can have advantages as well as disadvantages. It may or may not be desirable or undesirable, according to the extent to which growth is unsustainable and inclusive and proper account is taken of externalities and the opportunity cost of the natural capital it consumes. Unsustainable growth may benefit a few, while many more are inconvenienced by its negative externalities. Unsustainable lifestyles and business activities continue to damage the environment, reduce biodiversity, deplete natural capital and contribute to global warming and climate change (Dasgupta, 2021; Hannah, 2022; IPCC, 2022; UNEP, 2022). The risks they create are inter-connected and reinforcing (WEF, 2023). Their continuation represents an existential threat for humans and other life forms.

While unsustainable growth may lift many people out of poverty it compounds environmental damage and existential threats. It can also be wasteful of finite capital in relation to more targeted initiatives in terms of the proportion of additional output that accrues to those who are already better off. Within India, as elsewhere, it is often the least advantaged communities who bear the brunt of extreme weather events and other impacts of climate change (CSE, 2022; IPCC, 2022). Inflationary pressures, economic slowdown and recession may encourage people to reflect on their priorities, make choices and consider what is most important to them. Perhaps this should be a shared human goal of survival (Coulson-Thomas, 2022a).

The obsession with unsustainable growth and 'catching up' with the lifestyles and practices of more 'developed' countries may reflect the obsession that many people seem to have with comparisons and looking over their shoulders at others. However, does it make sense for larger numbers of people to imitate lifestyles that have already resulted in a range of social and environmental problems from waste disposal to global warming, are causing increasing collateral damage to eco-systems and are running down natural capital and scarce resources which are also not being regenerated or replaced? Do we need to live more in harmony with the natural world (Baindur, 2015; Coulson-Thomas, 2019a)? Could this address environmental risks and create inclusive opportunities for regeneration, restoring eco-systems and rewilding?

Critical Thinking and Innovation

It might seem strange to an objective observer that so many people devote so much effort for most of the year to working in order to maintain a home, accumulate possessions and save for brief holidays, during which they may try to get as far away from what they own as they can. Accessible and usable resources required for climate adaptation and mitigation and other urgent requirements and which will be used by future generations are being over-exploited. After what may be a relatively short period of use, much of what is bought adds to a growing mountain of waste. Much of it will require significant recycling before it can be reused. Are there alternative paths that could be less resource intensive, but desirable and sustainable?

A higher priority should be placed upon critical thinking and in particular how, where, when and by whom the negative externalities of corporate activities and operations are acknowledged, measured and addressed (Coulson-Thomas, 2019b & 2022b). During periods of crisis, uncertainty, economic slowdown or recession, adventurous companies that question, explore and innovate can secure competitive and leader advantage, while more cautious enterprises hold fire or cut back (Coulson-Thomas, 2020a & b). Current challenges and existential threats create many opportunities for innovation (Coulson-Thomas, 2022c & d).

Adversity and a challenge such as a European war with international consequences or a global pandemic can sometimes speed up the process of innovation (Liu et al, 2022). On the other hand, innovation can require thought, exploration or experimentation and these activities may not receive the time required when executives are distracted (Zhu et al, 2022). In crisis situations people also sometimes focus on fewer possibilities and may keep key decisions for a smaller group (Allison, 1971). Much will depend upon whether the requirements of a board embrace longer-term concerns as well as immediate issues and whether innovations pursued are responsible (Voegtlin and Patzer, 2020).

Responding to Challenges and Opportunities

Innovation in governance is required, if arrangements are to better reflect the situation, circumstances and context of different companies and business units and the challenges and opportunities they face according to their particular ambitions, stage of developments and requirements (Coulson-Thomas, 2023). A concerned and responsible board could elicit the views of stakeholders during a review of purpose and priorities and there might be alternative forms of governance that might better enable them to do this (Bridoux and Stoelhorst, 2022). Autocratic rulers may be more concerned with limiting internal challenge, re-writing history, justifying past decisions, avoiding blame for failures and holding onto power.

While Vladimir Putin has steadily consolidated his authority and neutralised opposition there have been a succession of military interventions. Russian action against Ukraine follows a trajectory that suggests longer-term ambitions, increased hostility towards Western countries and that cyber and information activities against them are likely to continue (Galeotti, 2022). Putin might believe that Russia is better able to endure the pain of war than the victim of its aggression whose infrastructure and economy he could continue to degrade until the cost of supporting it results in pressure from electorates in democratic countries for negotiation that might allow some of what has been seized by force to be retained.

Putin may feel that he will continue to be supported by his appointees and autocrats hostile to western interests; and be able to find alternative markets for Russian oil and gas among opportunists who are attracted by discounts, motivated by shorter-term self-interests and less concerned with matters of principle and legality and the implications of the prospect of a country being allowed to seize territory from a sovereign neighbour by force and the precedent this sets. However, autocrats are vulnerable (Fukuyama, 2022a & b). A reluctance to supply Ukraine with longer range and offensive weapons has been shown to prolong a conflict and its negative impact on economic activity. Supporters of Ukraine may do more.

Longer-term Implications

Multiple longer-term scenarios are possible depending upon how opinions in democratic countries evolve over time and their Governments respond, and how they, companies, individuals and communities respond to changes in relative prices, obstacles to trade, the use of food and energy as weapons of war and influence, and continuing existential threats. Six of the top ten global risks in terms of severity over the next ten years, according to the World Economic Forum's 2023 global risk report, are environmental, the top two being failure to mitigate climate change and failure of climate change adaptation (WEF, 2023). Much will depend upon the degree to which a fracturing of international society inhibits desirable collaborations relating to climate change and other risks, and necessary transition and transformation journeys to more sustainable activities, infrastructures and lifestyles occur.

The context may change. Failures in Ukraine have increased Putin's dependence upon a few countries for particular weapons and the trade that funds his aggression. At some point one or more of these, or internal rivals, might feel their own best interest would be to 'pull the plug'. Whether any recessionary and other impacts of Russia's actions might prove beneficial will depend upon many decisions at a variety of levels, and the degree to which they result in attention and resources being diverted from other purposes and priorities, or speed up the use of renewable sources of energy and phasing out of fossil fuels or other beneficial changes. Much will also depend upon the extent to which beneficial innovation occurs, leadership at all levels is responsible and a shared goal of collective survival and living sustainably in harmony with the natural world is pursued (Coulson-Thomas, 2022c & d; Saks, 2023).

While the UN system is unable to act against a permanent member of its Security Council, even though its actions have been criticized by multiple individual UN agencies and the organization's Secretary General, the international environment is not encouraging. In a succession of votes and while they have been in a minority, significant UN members have not condemned Russian actions. Whether it is the invasion of Ukraine, or required action to address existential threats such as global warming and climate change, reactions including responses of the well intentioned are sometimes 'too little too late' (UNEP, 2022). An instinctive unwillingness to grasp nettles and lack of decisiveness may be our downfall.

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Abstract

Globalisation and interdependence create vulnerabilities and a European war has international consequences. Russia's invasion of Ukraine has created food and energy crises, disrupted trade relationships, fuelled inflation, lowered expected growth rates, triggered recessions and compounded the economic damage, fragility and disruption caused by a global pandemic.

Resulting rearmament programmes increase pressure on natural capital and divert attention, capabilities and resources from priorities such as climate adaptation and mitigation. Divisions between democracies and authoritarian regimes have widened when collaboration and collective responses are needed to address existential threats. Economic recession presents opportunities as well as challenges. It could be beneficial if it results in responsible innovation and changes of purpose and priorities that support necessary transition to more sustainable and inclusive activities, infrastructures and lifestyles while there is still time.

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